

JUAB SPECIAL SERVICE FIRE DISTRICT

A COMPONENT UNIT OF JUAB COUNTY

Financial Statements

December 31, 2006

JUAB SPECIAL SERVICE FIRE DISTRICT

A COMPONENT UNIT OF JUAB COUNTY

Financial Statements

December 31, 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Juab Special Service Fire District

We have audited the accompanying financial statements of the governmental activities and each major fund of the Juab Special Service Fire District (District), a component unit of Juab County, as of and for the year ended December 31, 2006, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of Juab Special Service Fire District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Juab Special Service Fire District as of December 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 23, 2007, on our consideration of Juab Special Service Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedule beginning on pages MDA-1 and page 17, respectively, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC
CERTIFIED PUBLIC ACCOUNTANTS

May 23, 2007

JUAB SPECIAL SERVICE FIRE DISTRICT

Management's Discussion and Analysis

December 31st, 2006

As management of the Juab Special Service Fire District, we offer readers of the Juab Special Service Fire District's financial statements this narrative overview and analysis of the financial activities of the Juab Special Service Fire District for the fiscal year ended December 31st, 2006.

Financial Highlights

The Juab Special Service Fire District received \$278,618 in Equipment grant revenues during 2006 comparable with \$231,505 during 2005. Property tax revenues for 2006 amounted to \$561,587 comparable with \$481,088 in 2005, charges for fire related services amounted to \$74,904 for 2006 comparable with \$55,148 in 2005, interest revenues amounted to \$27,751 for 2006 comparable with \$17,851 in 2005 and other miscellaneous revenues amounted to \$2,273 for 2006 comparable with \$2,920 in 2005. Total net assets of the Fire District amounted to \$1,749,797 for 2006 comparable with \$1,384,381 in 2005.

Reporting the District as a Whole

This discussion and analysis is intended to serve as an introduction to the Juab Special Service Fire District's basic financial statements. The Juab Special Service Fire District's basic financial statements comprise three components 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Juab Special Service Fire District's finances, in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of Juab Special Service Fire District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in assets may serve as a useful indicator of whether the financial position of the Juab Special Service Fire District is improving or deteriorating. However, you will also need to consider other non-financial factors as well.

The Statement of Activities presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, all of the current year's revenues and expenses are taken into account regardless of when cash is received.

The government-wide financial statements distinguish functions of the Juab Special Service Fire District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities, although the District has no business-type activities).

The government-wide financial statements can be found on the pages following the management discussion and analysis.

Reporting the District's Most Significant Funds

A fund is defined as a fiscal and an accounting entity with a self balancing set of accounts. A fund is therefore a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Juab Special Service Fire District also uses Fund accounting to insure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These funds statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual method of accounting which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the district's general governmental operations and the basic services it provides. Governmental Fund information helps users determine whether there are adequate financial resources that may be spent in the near future to finance the District's programs. We described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

For the Juab Special Service Fire District, the major governmental funds (as determined by generally accepted accounting principles) are the general fund and the Capital Projects Fund.

Proprietary funds - the Juab Special Service Fire District has no proprietary funds.

Government-wide Financial Analysis

Net assets, over time, are intended to serve as an indicator of the government's financial position. The Juab Special Service Fire District assets exceeded liabilities by \$1,749,797 in 2006 comparable with \$1,384,381 in 2005, of which \$792,811 is represented by investments in 2006 capital assets net of associated debt comparable with \$622,656 in 2005. The District's Net Assets increased by \$365,416 in 2006 comparable with an increase of \$127,214 in 2005. The largest portion of the Juab Special Service Fire District's net assets is its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, etc.). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Financial Analysis of Government Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

At December 31st, 2006 the District's general fund reported a fund balance of \$493,708 comparable with \$365,481 for 2005. This represents an increase of \$128,227 from the 2005 ending balance.

The general fund is the chief operating fund of the District. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Property taxes continue to be the largest source of revenue in the District and represent 72% (\$561,587) of total general fund revenues for 2006 comparable with 61% (\$481,088) for 2005. Taxes are followed by grant income, which represents 29% (\$278,618) of the total revenue for 2006 comparable with 29% (\$231,505) for 2005.

Significant changes in the governmental funds includes an overall increase in 2006 revenues of \$156,621 which was largely due to an increase of \$80,499 in property tax revenues and an increase of \$47,113 in grant awards comparable with a 2005 overall increase in revenues of \$190,399 which was largely due to a increase of \$89,449 in grant awards and an increase of \$73,755 in property tax revenues. 2006 expenses increased by \$49,171 in the current year comparable with a 2005 expense increase of \$235,581 largely due to an increase in spendable grant revenues. Much of the 2005 supplies expense was for equipment that did not meet the \$5,000 capitalization threshold.

General Fund Budgetary Highlights

During the fiscal year, the 2006 general fund original budget was amended from an original budget expenditure total of \$490,776 to a final budget of \$515,693 comparable with a 2005 original budget expenditure total of \$523,773 amended to a final budget of \$653,857. There was also a \$163,369 2006 transfer from the General Fund to the Capital Projects Fund comparable to a \$109,693 2005 transfer from the General Fund to the Capital Projects Fund to be used for future Capital Purchases. The budget increases were made in response to additional expenditures made during the year necessary to meet the requirements of the various grant awards received.

Capital Asset and Debt Administration

Capital Assets - The District's investment in capital assets for its governmental activities as of December 31, 2006 amounts to \$1,103,151 net of accumulated depreciation comparable with \$1,013,482 at December 31, 2005. Total 2006 Capital Assets were \$2,042,555 comparable with \$1,776,009 for 2005. Capital assets acquired during 2006 amounted to \$266,546 comparable with \$115,631 for 2005 and depreciation on capital assets during 2006 amounted to \$176,877 comparable with \$149,673 for 2005. Principal payments on outstanding debt of the District amounted to \$80,486 during 2006 comparable with \$78,895 for 2005. Long-term liabilities due in more than one year amounted to \$310,340 in 2006 comparable with \$390,826 in 2005. The \$27,073 of 2006 current portion of the 2006 total liabilities of \$337,413 consists of short-term payables due at year end but not paid until January 2007 comparable with the \$21,475 in 2005 current portion of the 2005 total liabilities of \$412,301 which consists of short-term payables due at year end but not paid until January 2006. Current Additional information on the District's capital assets can be found in the footnotes of this report.

FINANCIAL STATEMENTS

The financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

Government-wide financial statements

Fund financial statements – governmental fund

JUAB SPECIAL SERVICE FIRE DISTRICT
A COMPONENT UNIT OF JUAB COUNTY
Government-wide Statement of Net Assets
December 31, 2006
With Comparative Totals for December 31, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 76,608	\$ 22,782
Public Treasurer's Investment Funds	672,857	598,349
Accounts receivable (net of allowance for doubtful accounts)	228,872	156,347
Capital assets		
Land	140,990	140,990
Depreciable buildings and equipment, net	962,161	872,492
Other assets	<u>5,722</u>	<u>5,722</u>
Total assets	<u><u>\$ 2,087,210</u></u>	<u><u>\$ 1,796,682</u></u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 27,073	\$ 21,475
Noncurrent liabilities		
Due in more than one year	215,494	265,494
Capital lease obligation		
Due in more than one year	<u>94,846</u>	<u>125,332</u>
Total liabilities	<u><u>\$ 337,413</u></u>	<u><u>\$ 412,301</u></u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 792,811	\$ 622,656
Unrestricted	<u>956,986</u>	<u>761,725</u>
Total net assets	<u><u>\$ 1,749,797</u></u>	<u><u>\$ 1,384,381</u></u>

JUAB SPECIAL SERVICE FIRE DISTRICT
A COMPONENT UNIT OF JUAB COUNTY
Government-Wide Statement of Activities
For the Year Ended December 31, 2006
With Comparative Totals for the Year Ended December 31, 2005

Program Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets Governmental Activities	2005
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities						
Fire protection	\$ 585,167	\$ 77,177		\$ 284,068	\$ (223,922)	\$ (371,725)
General Revenues						
Taxes - advalorem					561,587	481,088
Interest income					27,751	17,851
Total general revenues					589,338	498,939
Change in net assets					365,416	127,214
Net assets at beginning of year					1,384,381	1,257,167
Net assets at end of year					\$ 1,749,797	\$ 1,384,381

JUAB SPECIAL SERVICE FIRE DISTRICT

A COMPONENT UNIT OF JUAB COUNTY

Balance Sheet

December 31, 2006

With Comparative Totals for December 31, 2005

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>	<u>2005</u>
ASSETS				
Cash and cash equivalents	\$ 76,571	\$ 37	\$ 76,608	\$ 22,782
Public Treasurer's Investment Funds	209,616	463,241	672,857	598,349
Accounts receivable	228,872		228,872	156,347
Other	5,722		5,722	5,722
Total assets	<u>\$ 520,781</u>	<u>\$ 463,278</u>	<u>\$ 984,059</u>	<u>\$ 783,200</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 27,073		\$ 27,073	\$ 21,475
Total liabilities	<u>27,073</u>		<u>27,073</u>	<u>21,475</u>
Fund Balance				
Reserved for capital projects		\$ 463,278	463,278	396,244
Designated, wildland fire suppression	100,043		100,043	
Unreserved	393,665		393,665	365,481
Total fund balance	<u>493,708</u>	<u>463,278</u>	<u>956,986</u>	<u>761,725</u>
Total liabilities and fund balance	<u>\$ 520,781</u>	<u>\$ 463,278</u>	<u>\$ 984,059</u>	<u>\$ 783,200</u>

JUAB SPECIAL SERVICE FIRE DISTRICT
A COMPONENT UNIT OF JUAB COUNTY
Reconciliation of the Governmental Funds Balance Sheet
to Statement of Net Assets
December 31, 2006

Total fund balance - total governmental funds	\$ 956,986
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds Balance Sheet.	1,103,151
Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the governmental funds Balance Sheet.	(310,340)
Net assets of governmental activities	<u>\$ 1,749,797</u>

JUAB SPECIAL SERVICE FIRE DISTRICT
A COMPONENT UNIT OF JUAB COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2006
With Comparative Totals for the Year Ended December 31, 2005

	General	Capital Projects	Total Governmental Funds	2005
REVENUES				
Charges for fire related services	\$ 74,904		\$ 74,904	\$ 55,148
Property taxes	561,587		561,587	481,088
Interest	12,991	\$ 14,760	27,751	17,851
Other	2,273		2,273	2,920
Total revenues	651,755	14,760	666,515	557,007
EXPENDITURES				
Administration	13,620		13,620	8,808
Fuel and maintenance	2,369		2,369	25,012
Insurance	32,306		32,306	23,076
Legal and professional	8,970		8,970	7,800
Miscellaneous	3,940		3,940	6,264
Payroll expenses	83,814		83,814	55,984
Supplies	172,524		172,524	306,068
Training	3,027		3,027	3,546
Utilities	18,472		18,472	15,686
Wildland direct suppression	57,988		57,988	46,369
Debt service				
Principal payments	80,486		80,486	78,895
Interest payments	11,261		11,261	13,012
Capital outlay	5,450	261,095	266,545	115,631
Total expenditures	494,227	261,095	755,322	706,151
Excess (deficiency) of revenues over expenditures	157,528	(246,335)	(88,807)	(149,144)
OTHER FINANCING SOURCES AND (USES)				
Capital contribution	5,450		5,450	
Capital grants	128,618	150,000	278,618	231,505
Transfers from other funds		163,369	163,369	109,693
Transfers to other funds	(163,369)		(163,369)	(109,693)
Total other financing sources and (uses)	(29,301)	313,369	284,068	231,505
Change in net assets	128,227	67,034	195,261	82,361
Fund balance at beginning of year	365,481	396,244	761,725	679,364
Fund balance at end of year	\$ 493,708	\$ 463,278	\$ 956,986	\$ 761,725

JUAB SPECIAL SERVICE FIRE DISTRICT
A COMPONENT UNIT OF JUAB COUNTY
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2006

Net change in fund balances - total governmental funds	\$	195,261
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Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciable expense. This is the amount of capital assets recorded in the current period.		266,545
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Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(176,876)
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The issuance of long-term debt (e.g. note payable) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		80,486
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Change in net assets of governmental activities	\$	365,416
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NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements are included to provide information that is essential to a user's understanding of the financial statements.

JUAB SPECIAL SERVICE FIRE DISTRICT

A COMPONENT UNIT OF JUAB COUNTY

Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Juab Special Service Fire District was created in 1996 and began operations in January of 2001 to provide fire protection services for Juab County. Its board members were appointed by the Juab County Commission. The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to U.S. generally accepted accounting principles applicable to state and local governments.

Component Unit

Under the guidelines established by Governmental Accounting Standards Board (GASB) Statement 39, the District has been determined to be a component unit of Juab County for financial accounting purposes and is included as a discrete component unit in the County's financial statements.

Basis of Presentation

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of the given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements. All of the District's funds are major funds.

Governmental funds are those funds through which all of the governmental functions are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

JUAB SPECIAL SERVICE FIRE DISTRICT

A COMPONENT UNIT OF JUAB COUNTY

Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

General Fund

The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund

The Capital Projects Fund is used to account for funds received and expended for the acquisition or construction of capital facilities, improvements, and equipment.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets; and the statement of revenues, expenses, and changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting.

Measurement Focus/Basis of Accounting

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers amounts collected within 60 days after year end to be available. Expenditures are

A COMPONENT UNIT OF JUAB COUNTY

Financial Statements

December 31, 2006

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting

recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Budgeting

The District has established its accounting year as a calendar year. The Board annually prepares, reviews, and formally adopts an operating budget pursuant to the requirements of Utah state law. Budget amendments, if needed, are made by resolution of the Board. If the total expenditure budget is increased as a result of the budget amendment, a public hearing is held after appropriate public notification. The budget for 2006 was amended by the Board.

Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Assets, having an original cost of \$5,000 or more are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	30 years
Equipment	3 – 10 years
Apparatus	10 years

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as

A COMPONENT UNIT OF JUAB COUNTY

Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District first utilizes restricted resources to finance qualifying activities.

NOTE 2 – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

The District's deposits and investing are governed by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State of Utah Money Management Council. Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Money Management Act requires deposits be in a *qualified depository* as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner Financial Institutions as meeting requirements of the Act and adhering to the rules of the Utah Money Management Council.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by State statute. As of December 31, 2006, \$180,800 of the District's bank balance of \$280,800 is exposed to custodial credit risk as uninsured and uncollateralized. The carrying amount of the deposits at December 31, 2006 was \$76,609.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

A COMPONENT UNIT OF JUAB COUNTY

Financial Statements

December 31, 2006

**NOTE 2 – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS
(CONTINUED)****Credit Risk**

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2006, the District had investments of \$672,857 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

NOTE 3 – PROPERTY TAX CALENDAR

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied and tax notices are sent on November 1. All unpaid taxes are due and become delinquent on November 30. Property tax revenues are recognized by the District when they are collected. Property taxes on licensed motor vehicles are collected on a monthly basis in the month in which the individual motor vehicle license is renewed. Property taxes are billed and collected by Juab County on behalf of the District and remitted to the District monthly. At December 31, 2006, only delinquent taxes are uncollected. The amount of collectible delinquent taxes at December 31, 2006 is not considered significant.

JUAB SPECIAL SERVICE FIRE DISTRICT

A COMPONENT UNIT OF JUAB COUNTY

Financial Statements

December 31, 2006

NOTE 4 – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2006, consisted of the following:

	Transfer out	Transfer in
General fund	\$ 163,369	
Capital projects fund		\$ 163,369
Total	<u>\$ 163,369</u>	<u>\$ 163,369</u>

The transfers were made to keep the General Fund equity within the legal limits, to fund future capital projects, and allocate funds to cover future wildland firefighting costs.

NOTE 5 - CAPITAL ASSETS

Changes in capital assets are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 140,990			\$ 140,990
Capital assets being depreciated:				
Buildings	205,649			205,649
Equipment	433,312	5,450		438,762
Apparatus	1,137,048	261,096		1,398,144
Total capital assets being depreciated:	<u>1,776,009</u>	<u>266,546</u>		<u>2,042,555</u>
Less accumulated depreciation for:				
Buildings	(169,698)	(3,899)		(173,597)
Equipment	(114,589)	(49,189)		(163,778)
Apparatus	(619,230)	(123,789)		(743,019)
Total accumulated depreciation:	<u>(903,517)</u>	<u>(176,877)</u>		<u>(1,080,394)</u>
Depreciable assets, net	<u>872,492</u>	<u>89,669</u>		<u>962,161</u>
Governmental activities, net	<u>\$ 1,013,482</u>	<u>\$ 89,669</u>	<u>\$ -0-</u>	<u>\$ 1,103,151</u>

JUAB SPECIAL SERVICE FIRE DISTRICT

A COMPONENT UNIT OF JUAB COUNTY

Financial Statements

December 31, 2006

NOTE 6 – LONG-TERM DEBT

The District received \$163,043 for the purchase of a new fire truck from a Community Impact Board loan during 2001. The District received two other installments on this loan in 2005, for a total loan of \$244,564. Annual payments started on March 1, 2006, with interest starting on March 1, 2006 at 4%. During 2005 the District received a separate, no interest Community Impact Board (CIB) loan in the amount of \$163,494. Annual principal payments began on March 1, 2006. The 2007 payments were made in 2006, therefore no payments are due within one year. The District incurred \$11,261 in interest expense, which was reported as a direct function expense in the Government-Wide Statement of Activities.

The changes in long-term debt are as follows:

	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006
CIB loans	\$ 265,494		\$ (50,000)	\$ 215,494
Obligations under capital lease	125,332		(30,486)	94,846
Total long-term debt	<u>\$ 390,826</u>	<u>\$ -0-</u>	<u>\$ (80,486)</u>	<u>\$ 310,340</u>

The District's estimated annual requirements to meet their debt obligation as of December 31, 2006 are as follows: (Actual amount may change based on payment dates)

Year	Principal	Interest	Total
2007	\$ -0-	\$ -0-	\$ -0-
2008	51,000	5,280	56,280
2009	53,000	4,040	57,040
2010	55,000	2,760	57,760
2011	56,494	1,400	57,894
Total	<u>\$ 215,494</u>	<u>\$ 13,480</u>	<u>\$ 228,974</u>

JUAB SPECIAL SERVICE FIRE DISTRICT

A COMPONENT UNIT OF JUAB COUNTY

Financial Statements

December 31, 2006

NOTE 7 – CAPITAL LEASE AGREEMENTS

Upon formation of the District, three capital leases were assumed in conjunction with fire trucks that were contributed to the District from Mona Town, Levan Town, and Nephi City. The balances assumed on these leases as of December 31, 2001 were \$70,956, \$23,839, and \$260,110, respectively. The leases on the Mona and Levan Fire trucks were paid off early during 2005. The District has made prepayments on the Nephi lease in each of the subsequent years. The March 2007 payment on the Nephi truck was also paid early, in December 2006. The interest rate on the Nephi fire truck lease is 3.80%.

The future minimum lease payments are as follows:

<u>Year</u>	<u>Nephi Fire Truck</u>
2007	\$ -0-
2008	37,993
2009	37,993
2010	36,876
Total minimum lease payments	112,862
Less: Amount representing interest	(18,016)
Present value of net minimum lease payments	94,846
Principal amount due within one year	-0-
Principal amount due after one year	\$ 94,846

NOTE 8 – RISK MANAGEMENT

The District has exposure to a variety of risks as a result of its operations, including general liability risks, workers compensation risks and risks from various actions taken by the Board. The District carries commercial insurance coverage to provide for these risks. There were no significant reductions in coverage from the prior year and settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 9 – RELATED PARTY

The District is a component unit of Juab County (the County). During 2006, the County purchased and contributed extrication equipment valued at \$5,450 to the District. The District reimbursed the County \$12,000 for the District manager's salary.

JUAB SPECIAL SERVICES FIRE DISTRICT

A COMPONENT UNIT OF JUAB COUNTY

Financial Statements

December 31, 2006

NOTE 10 – DESIGNATED FUND BALANCE

The District's board has designated \$100,043 of the general fund balance to pay for future wildland fire suppression costs. The wildland fire suppression costs, which are billed to the District by the federal government, vary greatly from year to year based on the wildland fire activity within the District's boundaries. The federal government calculates the cost for wildland fire suppression and bills the District in the following year. The fluctuation in wildland fire suppression costs makes it difficult to budget and control cash flow needs; therefore the board designated funds to address the issue.

NOTE 11 – SUBSEQUENT EVENT

In January 2007, the Community Impact Board approved a \$582,000 grant and a \$582,000 loan for 25 years at 0% interest with payments beginning in 2009 to be used to construct new fire stations. The District was also awarded a \$50,000 grant from USDA Rural Development to be used for the Partoun Fire Station.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by generally accepted accounting principles in the United States of America, but are not considered a part of the financial statements. Such information includes:

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund

JUAB SPECIAL SERVICE FIRE DISTRICT

A COMPONENT UNIT OF JUAB COUNTY

Budgetary Comparison Schedule

For the Year Ended December 31, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for fire related services	\$ 21,915	\$ 90,743	\$ 74,904	\$ (15,839)
Property taxes	548,839	537,299	561,587	24,288
Other	754	14,572	15,264	692
Total revenues	571,508	642,614	651,755	9,141
EXPENDITURES				
Administration	14,349	15,588	13,620	1,968
Fuel and maintenance	40,700	6,122	2,369	3,753
Insurance	24,212	32,306	32,306	
Legal and professional	8,300	9,470	8,970	500
Miscellaneous	11,817	5,287	3,940	1,347
Payroll expenses	80,660	92,570	83,814	8,756
Supplies	61,065	16,913	172,524	(155,611)
Training	8,693	4,141	3,027	1,114
Utilities	23,117	20,612	18,472	2,140
Wildland direct suppression	108,019	128,129	57,988	70,141
Debt service				
Principal payments	40,000	40,000	80,486	(40,486)
Interest payments			11,261	(11,261)
Capital outlay	69,844	144,555	5,450	139,105
Total expenditures	490,776	515,693	494,227	21,466
Excess of revenues over expenditures	80,732	126,921	157,528	30,607
OTHER FINANCING SOURCES AND (USES)				
Capital contributions			5,450	5,450
Capital grants	66,352	126,448	128,618	2,170
Transfers to other funds	(147,084)	(153,369)	(163,369)	(10,000)
Total other financing sources and (uses)	(80,732)	(26,921)	(29,301)	(2,380)
Change in net assets		100,000	128,227	\$ 28,227
Fund balance, January 1	365,481	365,481	365,481	
Fund balance, December 31	\$ 365,481	\$ 465,481	\$ 493,708	

ADDITIONAL AUDITORS' REPORTS

These additional reports are required by *Government Auditing Standards* and the Utah State Auditor's Office, respectively.

The Schedule is provided for additional analysis.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Juab Special Service Fire District

We have audited the financial statements of the governmental activities and each major fund of Juab Special Service Fire District, as of and for the year ended December 31, 2006, which collectively comprise the Juab Special Service Fire District's financial statements and have issued our report thereon dated May 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of one or more of the internal control components does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial

statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described in the accompanying Schedule of Audit Findings, as findings 2006-1, 2006-2, and 2006-3, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the District's financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the reportable conditions described above are a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Juab Special Service Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, granting agencies, and the Utah State Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC
CERTIFIED PUBLIC ACCOUNTANTS

May 23, 2007

JUAB SPECIAL SERVICE FIRE DISTRICT

A COMPONENT UNIT OF JUAB COUNTY

Schedule of Audit Findings

December 31, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Juab Special Service Fire District.
2. There were three significant deficiencies relating to the audit of the financial statements as reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Juab Special Service Fire District were disclosed during the audit.

B. FINDINGS- FINANCIAL STATEMENT AUDIT CURRENT YEAR

2006-1 Finding: Tagging of Capital Assets

While conducting the audit we noted that District personnel do not tag capital assets.

Recommendation:

We recommend that District personnel tag capital assets, identifying the assets as property belonging to the District.

District's Response:

We agree with the finding and will implement the recommendation, insofar as possible.

2006-2 Finding: Written policies and procedures manual.

The District does not have a written policies and procedures manual.

Recommendation

The District should draft a policies and procedures manual. The manual should include a policy addressing conflict of interest. The manual should be available to all District personnel.

District's Response

We agree with the finding and will implement the recommendation.

2006-3 Finding: Capital asset inventory.

The District did not count capital assets during the year.

Recommendation

The District should count capital assets at least annually.

District's Response

We agree with the finding and will implement the recommendation.

C. CURRENT YEAR STATUS OF PRIOR YEAR FINDINGS

2005-1 Finding: Tagging of Capital Assets

While conducting the audit we noted that District personnel do not tag capital assets.

Status: See current year finding 2006-1.

2005-2 Finding: Written policies and procedures manual.

The District does not have a written policies and procedures manual.

Status: See current year finding 2006-2.

2005-3 Finding: No count taken of capital asset inventory.

The District did not count capital assets during the year.

Status: See current year finding 2006-3.



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UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS, AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE

To the Board of Directors
Juab Special Service Fire District

We have audited the accompanying financial statements of the governmental activities and each major fund of Juab Special Service Fire District as of and for the year ended December 31, 2006, and have issued our report thereon dated May 23, 2007.

The District did not receive any major state grants during the year.

The District received the following non-major state grants which are not required to be audited for specific compliance requirements. However, these programs were subject to the testwork as part of the audit of the District's financial statements.

Community Impact Loans (Dept of Community and Economic Development)
Community Impact Grants (Dept of Community and Economic Development)

Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Special Districts
Other General Compliance Issues

The management of Juab Special Service Fire District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above, which is described below. We considered this instance of noncompliance when forming our opinion on compliance which is expressed in the last paragraph of this report.

A. CURRENT YEAR IMMATERIAL INSTANCE OF NONCOMPLIANCE

1. Finding

The District does not have a written policies and procedures manual. Said manual should include a conflict of interest policy.

Recommendation

The District should draft and formally adopt a policies and procedures manual.

District's Response

We agree with the finding and will implement the recommendation.

B. CURRENT STATUS OF PRIOR YEAR IMMATERIAL INSTANCE OF NONCOMPLIANCE

1. Finding

The District does not have a written policies and procedures manual.

Status

This finding has not been corrected. See current year finding.

In our opinion, the Juab Special Service Fire District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC
CERTIFIED PUBLIC ACCOUNTANTS

May 23, 2007